

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Lake Odessa Fire Department	County Ionia
Fiscal Year End 3-31-07	Opinion Date 6-20-07	Date Audit Report Submitted to State 7-17-07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

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Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	SAS 112 Letter	
Certified Public Accountant (Firm Name) Walker, Fluke & Sheldon, PLC	Telephone Number 269-945-9452		
Street Address 525 W Apple St	City Hastings	State MI	Zip 49058
Authorizing CPA Signature <i>Katherine K Sheldon, CPA</i>	Printed Name Katherine K Sheldon, CPA	License Number 1101023575	

**LAKE ODESSA FIRE DEPARTMENT
FINANCIAL STATEMENTS**

For the year ended March 31, 2007

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Lake Odessa Fire Department
Ionia County, Michigan

We have audited the accompanying basic financial statements of Lake Odessa Fire Department, Ionia County, Michigan, as of March 31, 2007 and for the year then ended, as listed in the table of contents. These basic financial statements are the responsibility of Lake Odessa Fire Department's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Lake Odessa Fire Department, as of March 31, 2007, and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management discussion and analysis and required supplementary information list in the table of contents are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of required supplementary information. However, we did not audit the information and express no opinion on it.

Hastings, Michigan
June 20, 2007

Walker, Fluke & Sheldon, PLC

Lake Odessa Fire Department's Management Discussion and Analysis

As the Fire Department Board of Lake Odessa Fire Department, we offer readers of the Fire Department's financial statements this narrative overview and analysis of the financial activities of Lake Odessa Fire Department for the fiscal year ended March 31, 2007. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the Fire Department. We encourage readers to consider this information in conjunction with the letter of transmittal, which begins on page 1, and the financial statements, which begin on page 5.

Financial Highlights

- The assets of Lake Odessa Fire Department exceeded its liabilities at the close of the most recent fiscal year by \$126,764 (net assets) compared to \$93,086 from the prior year. Of this amount, \$19,526 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$33,678 compared to an decrease of \$19,657 from the prior year.
- As of the close of the current fiscal year, the Fire Department's governmental fund reported an ending fund balance of \$19,526, an increase of \$17,617 compared to a fund balance of \$1,909 a decrease of \$17,004 from the prior year.

The basic financial statements include information that presents two different views of the Fire Department:

- The first column of the financial statements includes information on the Fire Department's General Fund under the modified accrual method. These Fund Financial Statements focus on current financial resources and provide a more detailed view about the accountability of the Fire Department's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full accrual method.
- The government wide financial statement columns provide both long-term and short-term information about the Fire Department's overall financial status. The statement of net assets and the statement of activities provide information about the activities of the Fire Department as a whole and present a longer-term view of the Fire Department's finances. These statements tell how these services were financed in the short-term as well as what remains for future spending.

The financial statements can be found on pages 5-6 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 7-11 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The Fire Department adopts an annual budget for its general fund. Within the required supplementary information, a budget comparison statement has been provided for the general fund to demonstrate compliance with the budget.

Required supplementary information can be found on page 12 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Lake Odessa Fire Department, assets exceeded liabilities by \$126,764 at the close of the most recent fiscal year.

A portion of the Fire Department's net assets (15.40 percent) reflects its unrestricted net assets (\$19,526), which may be used to meet the government's ongoing obligations to citizens and creditors. The remaining portion of the Fire Department's net assets (84.60 percent) reflects its investment in capital assets (e.g. land, buildings, equipment and furniture and fixtures) (\$107,238). The Fire Department uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Lake Odessa Fire Department's Condensed Financial Data

	2006 Governmental Activities	2005 Governmental Activities
Current and Other Assets	\$ 19,526	\$ 1,909
Capital Assets	107,238	91,177
Total Assets	<u>126,764</u>	<u>93,086</u>
Liabilities	<u>-</u>	<u>-</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	107,238	91,177
Restricted	-	-
Unrestricted	19,526	1,909
Total Net Assets	<u>\$ 126,764</u>	<u>\$ 93,086</u>
Revenues		
Federal Grants	\$ 29,469	\$ -
Charges for Services	82,950	66,830
Interest	438	276
Other Revenue	2,037	480
Total Revenues	<u>114,894</u>	<u>67,586</u>
Expenses		
Governmental Activities		
Public Safety	97,277	87,243
Total Expenses	<u>97,277</u>	<u>87,243</u>
Change in Net Assets	<u>\$ 17,617</u>	<u>\$ (19,657)</u>

At the end of the current fiscal year, the Fire Department is able to report positive balances in all three categories of net assets.

Governmental activities. Governmental activities increased the Fire Department's net assets by \$33,678, mainly due to a FEMA grant received to purchase equipment, and an increase in charges for services from the village and township.

Financial Analysis of the Fire Department's Funds

As noted earlier, the Fire Department used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Fire Department's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Fire Department's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a Fire Department's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Fire Department's governmental fund reported an ending fund balance of \$19,526, an increase of \$17,617 in comparison with the prior year. This increase was mainly due to a FEMA grant received to purchase equipment, and an increase in charges for services from the village and township.

The general fund is the only fund of the Fire Department. At the end of the current fiscal year, unreserved fund balance of the general fund was \$19,526 and the total fund balance was \$19,526. Unreserved fund balance represents 20.07% of the total general fund expenditures.

Fire Department Budgetary Highlights

The amended revenue and expense budget as a total changed only \$10 from the original budget.

During the year, revenues and expenditures were less than budgetary estimates.

Capital Assets

The Fire Department's investment in capital assets for its governmental activities as of March 31, 2007, amounts to \$107,238 (net of accumulated depreciation). This investment in capital assets includes: machinery and equipment and data processing equipment.

Major capital asset events during the current fiscal year included an electrical upgrade to the fire barn, new pagers and radios, and a fill station compressor bought with funds provided by FEMA. Details of the Fire Department's capital assets are continued in the notes to the financial statements on pages 9 and 10.

Economic Factors and Next Year's Budgets and Rates

The Lake Odessa Fire Department believes revenues will remain constant with the exception of receiving another federal grant in the near future. The majority of the Fire Department's revenue comes from the Village of Lake Odessa and Odessa Township. Expected decreases in 2007-2008 state shared revenues may have an indirect effect on Lake Odessa Fire Department. If the Village and Township receive less state shared revenue, they will have less to spend and may spend less on fire protection. The Lake Odessa Fire Department feels expenses will increase slightly due to normal inflationary increases. The Lake Odessa Fire Department continues to seek out and apply for federal and state grant opportunities when available to defer the costs of replacement/purchase of equipment.

Requests for Information

This financial report is designed to provide a general overview of Lake Odessa Fire Department's finances for all those with an interest in the Fire Department's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Lake Odessa Fire Department, 3862 Laurel Rd, PO Box 575, Lake Odessa, MI 48849 616-374-74237.

**LAKE ODESSA FIRE DEPARTMENT
GOVERNMENTAL FUND BALANCE SHEET/
STATEMENT OF NET ASSETS
March 31, 2007**

ASSETS	General Fund Modified Accrual Basis	Adjustments (See Notes)	Statement of Net Assets
Cash and Cash Equivalents	\$ 19,526	\$ -	\$ 19,526
Restricted Assets	-	-	-
Capital Assets (Net of Accumulated Depreciation)	-	107,238	107,238
Total Assets	\$ 19,526	107,238	126,764
LIABILITIES			
Accounts Payable	\$ -	-	-
Total Liabilities	-	-	-
FUND BALANCE / NET ASSETS			
Fund Balances			
Unreserved-Undesignated	19,526	(19,526)	-
Reserved	-	-	-
Total Fund Balance	19,526	(19,528)	-
Total Liabilities and Fund Balance	\$ 19,526		
Net Assets			
Invested in Capital Assets-Net of Related Debt		107,238	107,238
Restricted for Equipment		-	-
Unrestricted		19,526	19,526
Total Net Assets		\$ 126,764	\$ 126,764

The Notes to Financial Statements are an integral part of this statement.

LAKE ODESSA FIRE DEPARTMENT
STATEMENT OF GOVERNMENTAL FUND REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
Year Ended March 31, 2007

	General Fund Modified Accrual Basis	Adjustments (See Notes)	Statement of Net Assets
Revenue			
Federal Grants	\$ 29,469	\$ -	\$ 29,469
Charges for Services	82,950	-	82,950
Interest and Rentals	438	-	438
Other Revenue	<u>2,037</u>	<u>-</u>	<u>2,037</u>
 Total Revenue	 <u>114,894</u>	 <u>-</u>	 <u>114,894</u>
 Expenditures			
Wages and Fringes	30,174	-	30,174
Operating Supplies	2,602	-	2,602
Automobile Expenses	2,110	-	2,110
Computer Support and Upgrades	499	-	499
Office Supplies	491	-	491
Education and Training	835	-	835
Insurance	16,114	-	16,114
Telephone	524	-	524
Professional Fees	2,353	-	2,353
Repairs and Maintenance	4,325	-	4,325
Utilities	4,705	-	4,705
Miscellaneous	251	-	251
Capital Outlay	32,294	(32,294)	-
Depreciation	<u>-</u>	<u>16,233</u>	<u>16,233</u>
 Total Expenditures	 <u>97,277</u>	 <u>(16,061)</u>	 <u>81,216</u>
 Excess of Revenue Over (Under)			
Expenditures / Change in Net Assets	17,617	16,061	33,678
 Fund Balance/Net Assets - Beginning of Year	 <u>1,909</u>	 <u>91,177</u>	 <u>93,086</u>
 Fund Balance/Net Assets - End of Year	 <u>\$ 19,526</u>	 <u>\$ 107,238</u>	 <u>\$ 126,764</u>

The Notes to Financial Statements are an integral part of this statement.

**LAKE ODESSA FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
March 31, 2007**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Lake Odessa Fire Department conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Lake Odessa Fire Department:

REPORTING ENTITY

Lake Odessa Fire Department was organized in 2001 by Odessa Township and the Village of Lake Odessa to provide fire protection to the residents and property owners. The Lake Odessa Fire Department operates under an appointed board of five members. Lake Odessa Fire Department receives 55% of its operating budget from Odessa Township and the remaining 45% from the Village of Lake Odessa. All pre-existing property used by the Fire Department that is titled in the name of Odessa Township or Village of Lake Odessa will remain the property of such entity.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The Fire Department's basic financial statements include both government-wide (reporting the Fire Department as a whole) and fund financial statements (reporting the Fire Department's major funds).

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Fire Department's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The statement of activities demonstrates the degree to which the direct expenses have a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Revenues are primarily derived from charges for services and interest and rentals to provide for the administration and operation of: (1) general Lake Odessa Fire Department governmental departments, boards and commissions; and (2) fire protection.

FUND FINANCIAL STATEMENTS

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Fire Department considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Fire Department reports the following major governmental funds:

- The General Fund is the Fire Department's primary operating fund. It accounts for all financial resources of the Fire Department.

**LAKE ODESSA FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
March 31, 2007**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Bank Deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Furniture	10 years
Equipment	7-15 years
Data Processing Equipment	5 years

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types. The Fire Department Boards prepares the annual budgets prior to March 31. Budgets for the general fund are adopted at the activity level and reported in the budgetary comparison schedule at the line item level.

During the year ended March 31, 2007, the Fire Department incurred no expenditures in budgeted funds, which were in excess of the amounts appropriated.

ENCUMBRANCE ACCOUNTING

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by Lake Odessa Fire Department.

DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91, authorizes the Fire Department to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Fire Department has designated one bank for the deposit of Lake Odessa Fire Department funds.

The Fire Department's deposits and investments are in accordance with statutory authority.

**LAKE ODESSA FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
March 31, 2007**

DEPOSITS AND INVESTMENTS (Continued)

At year-end, the Fire Department's deposits and investments were reported in the basic financial statements in the following categories:

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>TOTAL PRIMARY GOVERNMENT</u>
Cash and Cash Equivalents	\$ 19,526	\$ 19,526
Investments	-	-
Restricted Assets	-	-
Total	<u>\$ 19,526</u>	<u>\$ 19,526</u>

The breakdown between deposits and investments is:

	<u>TOTAL PRIMARY GOVERNMENT</u>
Cash and Cash Equivalents (Checking and Savings Accounts, Certificates of Deposit)	\$ 19,526
Investment in Securities (Mutual Funds and Similar Vehicles)	-
Petty Cash and Cash on Hand	-
Total	<u>\$ 19,526</u>

Custodial credit risk is the risk that the Fire Department will not be able to recover its deposits in the event of financial institution failure. The Fire Department's deposits are exposed to the custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2007, the Fire Department has deposits with a carrying amount of \$19,526 and a bank balance of \$28,330. Of the bank balance, \$28,330 is covered by federal depository insurance and \$0 is uninsured and \$0 is collateralized. The Fire Department evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

CAPITAL ASSETS

Capital asset activity for the current year was as follows:

	<u>BALANCE 04/01/2006</u>	<u>ADDITIONS</u>	<u>RETIRE- MENTS</u>	<u>BALANCE 03/31/2007</u>
Capital Assets Being Depreciated				
Equipment	\$ 112,726	\$ 32,294	\$ -	\$ 145,020
Data Processing Equipment	<u>1,301</u>	<u>-</u>	<u>-</u>	<u>1,301</u>
Subtotal	114,027	32,294	-	146,321
Less: Accumulated Depreciation	<u>22,850</u>	<u>16,233</u>	<u>-</u>	<u>39,083</u>
Capital Assets-Net of Depreciation	<u>\$ 91,177</u>	<u>\$ 16,061</u>	<u>\$ -</u>	<u>\$ 107,238</u>

**LAKE ODESSA FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
March 31, 2007**

CAPITAL ASSETS (Continued)

Depreciation expense was charged to programs as follows:

Governmental Activities:	
Public Safety	\$ 16,233
Total Governmental Activities	\$ 16,233

RISK MANAGEMENT

The Fire Department is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Fire Department manages its risk exposure through a combination of risk management pools and commercial insurance. The Fire Department has insurance provided by an independent insurance company for worker's compensation. Following is a summary of the risk management pool participation.

The Fire Department participates in the Michigan Fire Department Participating Plan (Par Plan) for property, general liability, and employee bond coverage. The Par Plan was established in April 1985, pursuant to laws of the State of Michigan which authorizes local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of the plan is to jointly exercise powers common to each participating member to establish and administer a risk management program; to prevent or lessen the incidence and severity of casualty losses occurring in the operation of its members; and to defend and protect any member of the authority against liability or loss.

The Par Plan, while it operates under the Michigan Legislation of Public Act 138, does not operate as a risk pool due to a total transfer of risk to reinsurance companies backing the Par Plan. Due to this reinsurance purchase, there is no pooling of risk between members. The plan has protected itself in the event a reinsurance becomes uncollectible by purchasing a reinsurance treaty for uncollectible reinsurance.

The Par Plan chose to adopt the forms and endorsements of conventional insurance protection and to reinsure these coverages 100%, rather than utilize a risk pool of member funds to pay individual and collective losses up to a given retention, and then have reinsurance above that retention amount.

The individual members are responsible for their self-retention amounts (deductibles), which vary from member to member.

At March 31, 2007, there were no claims, which exceeded insurance coverage. The Fire Department had no significant reduction in insurance coverage from previous years.

**LAKE ODESSA FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
March 31, 2007**

RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Total fund balance and the net change in fund balance of the Fire Department's governmental fund differs from net assets and changes in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference primarily results from the long-term focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance.

The following is a reconciliation of fund balance to net assets:

Total Fund Balance - Modified Accrual Basis	\$ 19,526
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Amounts reported in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds

Governmental capital assets	\$ 146,321	
Less: Accumulated depreciation	<u>(39,083)</u>	<u>107,238</u>

Net Assets of General Fund - Full Accrual Basis	<u>\$ 126,764</u>
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The following is a reconciliation of the net change in fund balance to the net change in net assets:

Net Change in Fund Balances - Modified Accrual Basis	\$ 17,617
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Amounts reported in the statement of net activities are different because:

Governmental funds report capital outlays as expenditures. However, in the
Statement of Activities, the cost of those assets is depreciated over their
estimated useful lives

Expenditures for capital assets	\$ 32,294	
Less: Current year depreciation	<u>(16,233)</u>	<u>16,061</u>

Change in Net Assets of General Fund - Full Accrual Basis	<u>\$ 33,678</u>
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LAKE ODESSA FIRE DEPARTMENT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended March 31, 2007

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET
Beginning of Year Fund Balance	\$ 1,909	\$ 1,909	\$ 1,909	\$ -
Resources (Inflows)				
Federal Grants	38,937	38,937	29,469	(9,468)
Charges for Services	82,949	82,949	82,950	1
Interest and Rentals	200	200	438	238
Other Revenue	<u>-</u>	<u>-</u>	<u>2,037</u>	<u>2,037</u>
Total Resources	<u>122,086</u>	<u>122,086</u>	<u>114,894</u>	<u>(7,192)</u>
Charges to Appropriations (Outflows)				
Wages and Fringes	36,600	36,600	30,174	6,426
Operating Supplies	5,000	3,600	2,602	998
Automobile Expenses	3,500	3,500	2,110	1,390
Computer Support and Upgrades	700	700	499	201
Office Supplies	600	600	491	109
Education and Training	4,500	4,400	835	3,565
Insurance	15,000	16,200	16,114	86
Telephone	600	560	524	36
Communications	1,500	-	-	-
Professional Fees	2,000	2,400	2,353	47
Repairs and Maintenance	3,500	4,830	4,325	505
Utilities	5,000	5,100	4,705	395
Miscellaneous	400	400	251	149
Capital Outlay	<u>42,986</u>	<u>42,986</u>	<u>32,294</u>	<u>10,692</u>
Total Charges to Appropriations	<u>121,886</u>	<u>121,876</u>	<u>97,277</u>	<u>24,599</u>
Excess of Resources Over (Under) Appropriations	<u>200</u>	<u>210</u>	<u>17,617</u>	<u>17,407</u>
Budgetary Fund Balance - March 31, 2007	<u>\$ 2,109</u>	<u>\$ 2,119</u>	<u>\$ 19,526</u>	<u>\$ 17,407</u>

The Notes to Financial Statements are an integral part of this statement.



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To the Board of Directors
Lake Odessa Fire Department
Ionia County, Michigan

In planning and performing our audit of the financial statements of the Lake Odessa Fire Department as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Fire Department's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fire Department's internal control. Our consideration of internal control included procedures to evaluate the design and of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Fire Department's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness.

- The Fire Department does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, changes in capital assets, and to present required financial statement disclosures.

This communication is intended solely for the information and use of management, the board of trustees of Lake Odessa Fire Department and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Hastings, Michigan
June 20, 2007

Walker, Fluke & Sheldon, PLC